

ECONOMIC DEVELOPMENT PROGRAMS AND POLICIES
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Introduction

Economic Development over the years has been supported by top executive management and Mayors and City Councils through its implementation of targeted planning and policies, support to events, festivals and the arts, and implementation of the City's Redevelopment Agency.

The City's Economic Development Program is not a classic program of funding recruitment and retention of large employers or the pursuit of high tax generating land uses like big box retailers in light of Proposition 13 incentives for local jurisdictions to do so. Instead, the City's efforts have been based on a number of unique and specific local conditions, where the emphasis has been on playing to our strengths of a high quality living and working environment and support for small and growing companies.

Local Challenges

Some of the local challenges and unique issues for Santa Barbara include a relatively low unemployment rate, and a virtually non-existent vacancy rate for commercial, retail and industrial buildings.

In addition, the cost and availability of housing in Santa Barbara and the South Coast is a pervasive challenge – it limits companies' ability to re-locate here, and also puts pressure on companies as they grow to recruit and retain employees.

Another unique local challenge is the community's commitment to planning, with an emphasis on slow, measured growth. Community votes over the year have reinforced this ethic, which limits the City's ability to aggressively pursue larger economic development projects and companies. Local planning also tries to balance visitor serving uses with the needs and wants of local residents. There is ambivalence towards increasing an already robust tourism industry, and it appears that the community feels that a balance has been reached, with little interest for significant increases in tourist related lodging or related land uses.

To put that all in context, there is a cycle of business development in the South Coast that appears to have been the model for years for the South Coast -- a cycle that is recognized by commercial brokers, the Chamber of Commerce and other business leaders as appropriate and effective. A small company is created, either through an outgrowth of the University, a relocated executive, venture capital opportunities, or other avenues. The company is successful and grows. At some point though, it reaches a critical size, where it is either bought out and moved out of the area, or the company realizes to continue its expansion it must relocate – either to be closer to its core business, or because of the difficulty of recruiting and retaining it's workforce due to housing costs. The consensus strategy in response to this is not to try to keep companies here against these market forces, but instead to continue encouraging the

development of small start-up companies to keep the entrepreneurial 'circle of life' continuing.

City Economic Development Approach

So over the years, the focus of the City's efforts has been to maintain and promote the high quality of life in Santa Barbara as our most effective economic development tool – playing to our strengths. This creates a desirable place to work and live, supports the robust tourist industry, and leads to smaller, high value companies staying or re-locating here – often times due to their executive management teams desire to be in Santa Barbara.

Other parts of the City's Economic Development program includes:

- Support and Recognition of the role higher education plays in the economic vitality of the region;
- Creation of one of the most successful, vibrant downtown commercial/retail areas for a city this size in the Country through the effective use of the Redevelopment Agency;
- Creation of Paseo Nuevo, which was a City Redevelopment Agency led effort that essentially jump-started the current success of the City's downtown core;
- Support to the regional Economic Community Project – a group of business, environmental, government and media leaders in response to the downturn of the economic in the early 1990's – the results of which were to focus on quality of life, and the support and retention of smaller high tech oriented businesses
- Voter approved amendment to Measure E, the City's growth control program for commercial square footage, which gives the City Council the flexibility to approve needed new construction if certain Economic Development findings can be made
- Land Development Management Audit to look at the discretionary review process
- Support to the Arts through direct financial support (details below) -- both as a quality of life issue for locals and as an economic development approach towards drawing patrons for the arts from southern California to visit Santa Barbara
- Support for local transit – including downtown/waterfront shuttle, wharf woody, and financial support for downtown oriented transit lines to improve congestion and parking in the downtown core
- Maintaining auto dealerships in the City through development and adoption of the Hitchcock Area Specific Plan
- Mayors quarterly breakfasts – from 2002 to 2007 – met with leaders from different sectors with the mayor, two council members, and executive management staff – auto dealers, retail, commercial brokers, financial institutions, educational, health care, etc with the intent of finding out what the City could do to help these economic sectors thrive
- Development of affordable housing in income categories from very low income to upper middle income in order to address a jobs/housing imbalance and keep an economically diverse community. The City and

its Redevelopment Agency have expended approximately \$80 million over time to create affordable housing and have instituted land use policies that encourage an appropriate mix of market and affordable housing.

Support for Community Events

The City provides financial support to a variety of non profit institutions and events that promote economic development, including over \$280,000 annually to the following:

- 4th of July Fireworks
- Santa Barbara Symphony Concert
- Spirit of 76 Parade
- Earth Day
- Old Spanish Days Fiesta;
- Santa Barbara International Film Festival;
- Semana Nautica Festival
- Summer Solstice Celebration

Support for Community Promotion

The City also provides direct financial support for community promotion, including close to \$1.6 million annually to the following:

- Santa Barbara Conference and Visitors' Bureau (\$1.5 million);
- Downtown Visitor Restroom Program;
- Visitor Information Center;

Support for City Arts

The City support community arts through annual General Fund support of approximately \$600,000 per year plus in kind support. The City contracts with the County Arts Commission to manage the grants process for community art non profits that leads to the distribution of grants every fall. Other programs and efforts include:

- City Arts Advisory Committee
- Cultural District Promotions
- Santa Barbara Zoo Gardens maintenance
- City Hall and Channing Peake Gallery exhibits

Redevelopment Agency Support:

In many ways, the Redevelopment Agency has been the prime economic development tool for the City of Santa Barbara. The capital projects funded by the Agency have all

been geared toward the economic vitality and success of the downtown and waterfront. Since its inception, the Agency has invested over \$230 million in capital improvements and affordable housing. The following provides some breakdown of those efforts.

The City Redevelopment Agency has made substantial capital improvements in the downtown area that foster economic development, including projects such as:

- Paseo Nuevo (over \$200 million between the City and developer)
- Granada Parking Garage
- Parking Garages 2 and 10
- Most other surface parking lots downtown
- State Street sidewalk improvements
- Chapala Street Improvements

Since 1992, the City's Redevelopment Agency has contributed close to \$10 million to economic development and cultural district promotion in the downtown, including the following:

- Granada Theater Restoration
- Lobero Theater Improvements
- Annual Sculpture Exhibit on State Street
- Cultural Studies, plans and symposiums
- Downtown Organization funding for Cultural District Promotion and First Thursday events;
- Development of Community Arts Workshop

Conclusion:

The City economic development efforts and approach were highlighted in the past few years in a couple of prominent surveys. A Forbes Survey for smaller cities ranked Santa Barbara 31st in the country for places to do business, primarily on a strong showing in the advanced degrees and crime rate rankings.

Santa Barbara was also recognized in a prominent book called The Rise of the Creative Class by Richard Florida, which presented an economic analysis for cities based upon Creativity Rankings. This well-read book placed values on a City's authenticity and uniqueness, including such factors as:

Historic Buildings
Established Neighborhoods
Unique Music Scene
Cultural Attributes
Mix of Outdoor Activities/High Tech Industry
Revitalized Urban Core

Santa Barbara was rated #3 nationwide in the Small Cities Creativity Ranking. This analysis essentially validated our approach to Economic Development over the years.